

**MINUTES OF BOSTON RETIREMENT BOARD**

**Administrative Session**

January 19, 2021

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael D. O'Reilly, Elected Member; Maureen A. Joyce, *Ex Officio* Member; Michael W. McLaughlin, Elected Member; Thomas V.J. Jackson, Fifth Member (all Members remotely present).

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, General Counsel; John F. Kelly, Investment Analyst; Ellen M. McCarthy, Comptroller; Christine M. Weir, Operations Officer; Natasha Thomas, Assistant General Counsel; Gregory Molina, Board Secretary (all Staff remotely present).

ALSO IN ATTENDANCE: William Oates, IT Consultant; Michael Manning, William Forde and Kiley Fischer of NEPC.

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**Administrative Session Convene**

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:01 a.m.

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; and, Chairman Greene: Aye.*

**Motion accepted (5-0)**

**Previous Minutes**

Motion made, and seconded, to accept the Administrative Session Minutes of the December 17, 2021 meeting as presented.

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; and, Chairman Greene: Aye.*

**Motion accepted (5-0)**

Outstanding/Ongoing Administrative Issues: Timothy J. Smyth, Executive Officer

*IT update*

Mr. Smyth introduced Mr. Oates who proceeded to state that the system is now in the new world of Vitech and Amazon web services. Its important that the system shift its view on how they are operating and how the systems is performing. Its important that the system get data. According to the contract with Vitech, the system gets monthly data on performance and utilization of using the AWS resources.

The system had its own assets on premises that ran the system, now it relies upon the cloud. Early reports are important because now the system has a 120-day base line review. They can't charge the system for more than they contracted for this period. So, it's important for the system to take a look at these metrics. Mr., Oates had to push Vitech to get these reports, but we have just received the November and December reports.

The good news is that the initial review did not show anything alarming. Mr. Oates stated that the system is under its base-line limits on all the key metrics. The systems consultants have taken a look at it and have requested a meeting with Vitech CTO and their tech team to dive deeper into this. This will be the foundation on how the system runs these systems' going forward.

The consultants will ask Vitech about additional information on availability. The system has an availability metric in the contract. It was not a large concern but Amazon had a couple of outages in December. According to Vitech, the systems availability still turned out to be 99.87%. It has been requested that they go through the system on how they do availability with the consultants. As for capacity, the system now pays for its database utilization. The system was under the baseline limit but work needs to be done on capacity planning and performance because they run that database not the system. The consultant's expectations are that the meeting will happen pretty soon. Also, come up with a monthly reoccurring way to look at this data, ask questions and get everything done in a timely fashion.

Mr. Oates went on to discuss cybersecurity, stating that they are looking at options that the BRS can make an assessment of its environment. They have had several discussions and there is a proposal coming in from Acenture. There are several proposals coming in its just legal terms that are slowing them down. Mr. Oates is reviewing the cyber insurance market through cyber insurance applications. At the next meeting Mr. Oates will have additional information on both topics.

*Proposed Standard Agenda and Board meeting dates for CY22*

Mr. Smyth offered a proposed meeting dates for 2022. He suggested that the Board review to see if it fits the Board members calendars. He would like to vote on it in February's Board meeting.

*Unused vacation buyback bill*

Mr. Smyth stated that the bill has been engrossed in the House and is being forwarded to the Senate. It's going out to the Senate Mr. Smyth read through the final version that he saw from the House. It looks fairly similar to the earlier bill. Member O'Reilly was going to review it as well. Mr. Smyth stated that it was a positive step for the systems' membership population. The system has treated vacation buyback as regular comp. At the very least, this will protect the retiree which was everyone's biggest concern.

**Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst**

*Investment Policy Statement*

Mr. Manning opened by stating that System's investment policy statement (IPS) serves as the guide to all aspects of the investment program. Policy guidelines are updated from time to time to reflect the System's current investment program. At today's meeting, NEPC will provide an updated IPS for the Board's review.

The investment policy statement (IPS) serves as the corner stone for the System's investment program. The statement is meant to guide all aspects of the portfolio including: Goals and Objectives, Investment Guidelines, Roles and Responsibilities. NEPC has updated the System's IPS for the Board's review and approval. NEPC is happy to discuss and implement additional changes at the Board's discretion.

NEPC Updated the actuarial rate of return to 7.05%, added two new Goals & Objectives.

**Liquidity:** The portfolio can invest in both liquid and illiquid strategies. The overall liquidity profile will be considered when deciding on the target asset allocation.

**ESG:** (Environmental, Social and Governance): The Board will consider an investment manager's approach to ESG as part of the evaluation and selection process.

**Allocation and Managers:** Appendix I is updated to reflect the current asset allocation policy and Appendix II is updated with the current investment managers and respective benchmarks.

Member Jackson asked how the System is going to monitor the ESG investment policy statement? Does NEPC do that with the Managers and summarize for the Board? Mr. Manning answered by stating that unless there is something specific that the Board wants, NEPC thinks a more general statement like this is appropriate. He noted that some clients may impose mandates. Chairman Greene stated that the timelines look good and will vote on any changes the Board may have in February meeting.

#### *Fee Savings Analysis*

Mr. Manning stated that the preliminary fee analysis outlines the estimated annual savings derived from negotiated fees in public markets. The System receives discounted fees for 18 of its 24 public markets managers. BRS also receives discounts across its private markets' investments, which will be included in a future analysis. NEPC will provide a preliminary fee savings analysis for the System's public markets portfolio. The total annual BRS fees savings are \$3.5 million dollars.

#### *2022 Market Themes and Assumptions*

Mr. Forde presented an introductory look at its market themes, actions and assumptions for 2022. This will include topical views on markets trends such as inflation and interest rates.

Mr. Forde went on to state that, NEPC Research recently completed its most recent update to our asset class assumptions and market outlook. As such, we thought it would be beneficial to share with the Board as it addresses a number of topics that are front of mind for most investors. In addition, they'll provide their thoughts on potential investment opportunities that may be of interest. Based on Board feedback, NEPC would provide additional insight and analysis on these potential opportunities at the February meeting.

Mr. Forde stated that Risk-asset return assumptions are broadly lower and reflect the tremendous market rally over the last 12 months. NEPC encourages investors to hold a dedicated safe-haven fixed income allocation to be a source of portfolio liquidity and downside protection. NEPC's expectation for inflation has increased over the near-term but the long-term inflation view is unchanged.

NEPC anticipate continued volatility among inflation measures as market-based inflation expectations diverge from current consumer inflation metrics. The United States 10-Year Inflation Assumption is 2.4% and the 30-Year Inflation Assumption is 2.6%.

*December 2021 Flash Report*

Mr. Manning presented the December Flash Report stating that a couple of key notes to mention in the overall asset class returns. The S&P 500 up almost 29%. That has to be one of the top ten of any year that we've had over the last 100 years. Private Equity and Debt was up 38.5%. The System total fund performance for the year ended 12/31 was a NET +12.6%.

*Work Plan*

Mr. Manning stated that NEPC has included an updated work plan with the including a proposed work plan for 2022:

**Outstanding/Ongoing Financial Issues: Ellen M. McCarthy, Comptroller**

*December 2021 Financial Snapshot*

Ms. McCarthy reported the December 2021 pension payroll as follows: Contributory payroll: \$58,095,374; Contributory Payees: 15,459; Non-contributory payroll: \$278,844; Total Non-contributory payees: 33; Regular Retirees: 40; Survivor/Beneficiary Retirees: 5; Disability Retirees: 5; Option C/Disb Surv 11; Members Refunds: 52 for \$ 1,142,924; Members Transfers: 0 for \$0.00; Option B Refunds: 5 for \$ 26,651; and, Operational Warrants: \$526,234.

Ms. McCarthy mentioned that the 1099-R tax forms for the retirees go to print at the end of the week. Staff finalizing some things with Vitech. One annual letter has gone to print regarding operations of retirees and a second annual letter regarding insurance for public safety officers will be sent and all letters will be sent on time. Mr. Smyth thanked Ms. McCarthy on her and her staffs hard work. Those letters are of the most importance to the retirees.

**Outstanding/Ongoing Operations Issues: Christine M. Weir, Operations Officer**

*December 2021 payroll update*

Ms. Weir provided an update on the payroll numbers for the month of December 2021. There were 53 possible cases, (43 Superannuation's, 2 Death of Active, 10 Disabilities.) 10 cases that did not make it to payroll. Ms. Weir noted the following reasons the reasons members did not make it on payroll; 2 changed retirement dates, 7 did not return final papers and 1 legal issue.

Mr. Smyth noted to the Board on the crisis that the BRS finds itself at this moment. Without being overly dramatic, He said the systems' "a bit under water" due to Covid. As of today, the System has only one-member services representative on the floor on any given day. Everyone else is working from home. The volume of calls over the last two to three weeks, has been unlike

anything he has never seen. It's in the hundreds range per day. Mr. Smyth has received an average of 100 emails a day that run the gamut of issues. There has been a lot of angst among the members and unfortunately its reared its head on the operations of the Board. We continue to do the best we can but he does want to flag it to the Board so they can understand that we are in a very difficult situation right now. We'll get through it but it's all hands-on deck here from the operational side.

Member Joyce asked if any kind of temp help can be added? My Smyth stated that the System currently has a temp and an intern at the front desk.

#### Outstanding/Ongoing Legal Issues: Padraic P. Lydon, General Counsel

##### *PERAC Memos*

Mr. Lydon presented the following PERAC memos for the Board members review:

- PERAC Memo 34-2021 re 2021 Disability Data;
- PERAC Memo 35-2021 re Annual Review of Medical Testing Fee;
- PERAC Memo 1-2022 re Fraud Attempt;
- PERAC Memo 2-2022 re 2022 Limits Under Chapter 46 of the Acts of 2002;
- PERAC Memo 3-2022 re 2022 Limits Under Section 23 of Chapter 131 of the Acts of 2010;
- PERAC Memo 4-2022 re COLA Notice;
- PERAC Memo 4A-2022 re Clarification of Previous COLA Notice Memo;
- PERAC Memo 5-2022 re 2022 Interest Rate set at 0.1%; and,
- PERAC Memo 6-2022 re Mandatory Retirement Board Member Training.

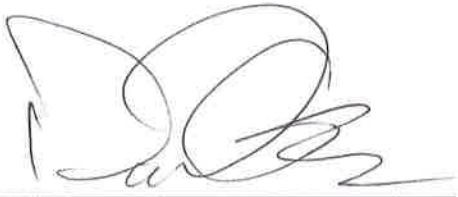
#### Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session at approximately 11:08 a.m.

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; and, Chairman Greene: Aye.*

**Motion accepted (5-0)**

Respectfully submitted,  
BOSTON RETIREMENT BOARD



Daniel J. Greene, Esquire  
*Mayoral Appointed Member, Chairman*



Maureen A. Joyce  
*Ex Officio Member*



Michael W. McLaughlin  
*Elected Member*



Michael D. O'Reilly  
*Elected Member*



Thomas V.J. Jackson  
*Fifth Member*